

## Message Text

UNCLASSIFIED

PAGE 01 WELLIN 02588 132225Z

20

ACTION EA-09

INFO OCT-01 EUR-12 IO-13 ISO-00 SP-02 USIA-15 AID-05 EB-07

NSC-05 CIEP-02 TRSE-00 SS-15 STR-04 OMB-01 CEA-01

CIAE-00 COME-00 FRB-01 INR-07 NSAE-00 XMB-04 OPIC-06

LAB-04 SIL-01 L-03 H-02 DODE-00 PA-02 PRS-01 DOTE-00

FPC-01 /124 W

----- 130158

R 132058Z JUL 76

FM AMEMBASSY WELLINGTON

TO SECSTATE WASHDC 1650

INFO USMISSION EC BRUSSELS

AMEMBASSY CANBERRA

USMISSION GENEVA

USMISSION OECD PARIS

UNCLAS WELLINGTON 2588

E.O. 11652: N/A

TAGS: EGEN, EALR, NZ

SUBJ: INFLATION RATE CONTINUES TO BREAK RECORDS

REF: (A) WELLINGTON 1438, (B) WELLINGTON 3855, (C) 75 WELLINGTON  
3898

1. FOR THE THREE MONTHS ENDING JUNE 1976 THE CONSUMER  
PRICE INDEX (CPI) ROSE 4.5 PER CENT ABOVE THE MARCH QUARTER.  
IN THE FIRST 6 MONTHS OF 1976 THE INDEX ROSE 9.1 PER CENT. THE  
TOTAL RISE FOR THE YEAR ENDING JUNE 1976 WAS 17.7 PER CENT, AN  
ALL TIME HIGH.

2. THE MAIN GROUPS CONTRIBUTING TO THE CPI INCREASE IN THE  
2ND QUARTER WERE: HOSEHOLD OPERATION (FUEL ELECTRIC POWER  
SUPPLIES, SERVICES AND FURNISHINGS); HOUSING (MOSTLY HOME  
OWNERSHIP); FOODS (GROCERIES, BREAD) AND PRIVATE TRANSPORTATION.  
TELEPHONE RENTALS, CLOTHING AND VEHICLE PURCHASE ALSO HELPED TO  
UNCLASSIFIED

UNCLASSIFIED

PAGE 02 WELLIN 02588 132225Z

BOOST THE TOTAL.

3. COMMENT: THE RATE OF THE CPI INCREASE HAS CONTINUED AN ALMOST STEADY QUARTERLY RISE SINCE MID-1972 WHEN IT WAS AT A LOW QUARTERLY RATE OF ONE PER CENT. THE MOST RECENT INCREASES ARE MOSTLY THE RESULT OF THE REMOVAL BY THE NATIONAL GOVERNMENT OF A NUMBER OF CONSUMER SUBSIDIES (SEE REFTELS) SINCE IT TOOK OFFICE IN EARLY DECEMBER 1975. THE INCREASES ARE NEITHER A SURPRISE NOR HAS THERE BEEN ANY EFFORT TO EXPLAIN THEM AWAY OTHER THAN THAT THIS IS A PART OF THE PROCESS OF GETTING THE ECONOMY BACK INTO BALANCE. REDUCING THE WHOPPING GOVERNMENT CONSUMER SUBSIDIES HAS SHIFTED INCREASING EXPENDITURES FOR CONSUMPTION FROM THE GOVERNMENT (DEFICIT) ACCOUNT TO THE CONSUMER PURSE. ONCE THIS MAJOR SHIFT HAS PLAYED ITSELF OUT, WITH A 12 MONTHS WAGE FREEZE AND PRICE INCREASE RESTRAINTS, THE GOVERNMENT CALCULATES THAT THE MAIN INFLATIONARY PRESSURES WILL BE REDUCED.

THE GOVERNMENT HAS STEADILY PREDICTED THAT THE RATE OF THE CPI INCREASE WILL TAPER OFF STARTING IN THE THIRD QUARTER OF 1976. (HOPEFULLY DROPPING TO AN ANNUAL RATE OF 13 PER CENT IN THE LAST QUARTER OF 1976 AND 10 PER CENT IN THE FIRST QUARTER OF 1977). THE PRINCIPAL CONSUMER PRICE JUMPS RESULTING FROM REMOVAL OF THE SUBSIDIES ARE OF A ONCE ONLY NATURE, THOUGH THERE WILL BE SOME, LESSER SECONDARY EFFECT ESPECIALLY AS SUCH COST INCREASES AS TRANSPORTATION, TELEPHONE, ELECTRIC POWER, POSTAL, ETC. WORK THEIR WAY THROUGH TO OTHER PRICES.

THREE FACTORS WHICH MAY MILITATE AGAINST A SLACKENING IN THE RATE OF INFLATION ARE: (1) AN EXPECTED INCREASE IN THE RATE OF IMPORT PRICES RISES, (2) A CONTINUING FALL IN PRODUCTIVITY AND (3) A SHRINKING OF THE VALUE OF THE NEW ZEALAND DOLLAR VIS-A-VIS THE CURRENCIES OF CERTAIN IMPORTANT SOURCES OF ITS IMPORTS (E.G. AUSTRALIA, JAPAN, US, AND THE EEC). THE POUND STERLING IS AN IMPORTANT CURRENCY IN THE "BASKET OF CURRENCIES" WHICH FORM THE BASIS OF THE NZ DOLLAR "CONTROLLED FLOAT". STERLING'S FALL HAS AFFECTED THE NZ DOLLAR'S VALUE VIS-A-VIS OTHER CURRENCIES. (INCIDENTALLY, THIS HAS ALSO HAD SOME ADVERSE EFFECT ON THE VALUE OF NZ FOREIGN EXCHANGE HOLDINGS, ABOUT ONE-THIRD OF WHICH UNCLASSIFIED

UNCLASSIFIED

PAGE 03 WELLIN 02588 132225Z

HAVE BEEN IN STERLING). AS THE GOVERNMENT MEASURES HAVE BEGUN TO BE FELT BY THE CONSUMER, ESPECIALLY THE LOWER WAGE EARNER, SIGNS OF GROWING UNEASINESS ARE BECOMING EVIDENT. UP TO PRESENT THIS HAS BEEN MANIFESTED MOSTLY BY LABOR ACTION AGAINST THE GOVERNMENT'S WAGES POLICY. (THIS ACTION IS REPORTED SEPTTEL.) SELDEN

UNCLASSIFIED

NNN

## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** INFLATION, ECONOMIC ESTIMATES, PRICE INDEXES  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 13 JUL 1976  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** n/a  
**Disposition Approved on Date:**  
**Disposition Authority:** n/a  
**Disposition Case Number:** n/a  
**Disposition Comment:**  
**Disposition Date:** 01 JAN 1960  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1976WELLIN02588  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
**Film Number:** D760270-0702  
**From:** WELLINGTON  
**Handling Restrictions:** n/a  
**Image Path:**  
**ISecure:** 1  
**Legacy Key:** link1976/newtext/t19760762/aaaaccix.tel  
**Line Count:** 114  
**Locator:** TEXT ON-LINE, ON MICROFILM  
**Office:** ACTION EA  
**Original Classification:** UNCLASSIFIED  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 3  
**Previous Channel Indicators:** n/a  
**Previous Classification:** n/a  
**Previous Handling Restrictions:** n/a  
**Reference:** 76 WELLINGTON 1438, 76 WELLINGTON 3855  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** schaeafj  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 19 APR 2004  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <19 APR 2004 by ThomasVJ>; APPROVED <20 SEP 2004 by schaeafj>  
**Review Markings:**

Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
04 MAY 2006

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** INFLATION RATE CONTINUES TO BREAK RECORDS  
**TAGS:** EGEN, EALR, NZ  
**To:** STATE  
**Type:** TE  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006